

DHCA - Moving Forward

Montgomery County
Department of Housing & Community Affairs

Isiah Leggett
County Executive



Richard Y. Nelson, Jr
Director

December 2014

Program Overview

▶ Increasing Affordable Housing

- Production and Preservation
 - Goals and Performance
 - Funding Basics
 - Mezzanine Financing
- Other Affordable Housing Tools
 - PILOTs
 - Right of First Refusal
 - Rental Agreements
 - MPDUs
 - Workforce Housing
- County Initiatives
 - Senior Housing
 - Rental Assistance Programs
 - Special Needs Housing

▶ Maintaining Healthy Neighborhoods and Community Relationships

- Focused Neighborhood Assistance
- Code Enforcement
- Landlord Tenant Affairs
- Licensing and Registration
- Public Service Contracts
- Commercial Façade Easements



Affordable Housing Goals and Performance

- ▶ Establish goals for adding to the affordable housing stock; promote mixed-use, mixed-income and senior housing development
- ▶ Preserve existing affordable housing through aggressive code enforcement and effective utilization of funding sources
- ▶ Leverage no-cost housing approaches such as MPDU development and No-Cost Rental Agreements
- ▶ Reduce low-income resident utility bills by providing energy efficient improvements through Weatherization Programs
- ▶ Continue the focus on, and coordination of, housing for those with special needs through Housing First, rental assistance and eviction prevention programs
- ▶ Support affordable homeownership opportunities

Contributions to Affordable Housing <i>FY08-FY14</i>	
Housing Type	Affordable Units
New Production / Rehabilitation - Units Added to the Inventory	4,147
Preservation of Existing Affordable Units	2,357
MPDU's / No Cost Rental Agreements	3,517
Weatherization Programs	1,471
Housing First, Rental Assistance & Eviction Prevention	10,372
Homeownership Assistance	495
TOTAL	22,359

Funding Basics

► Sources

- MHI – Annually appropriated county source that provides funding for rental assistance, special needs and non-profit housing loans, the Housing First program, and homeownership and foreclosure programs
 - Goal is to fund at level at least equal to 2.5% real property tax revenues
 - Currently funded at \$25-30M annually (\$194M since FY08)
- Housing Acquisition and Preservation Fund – Capital fund that provides affordable housing loans to for- and non-profit developers
 - Funded at \$100M+ in bonds plus loan repayments
- State and Federal Programs – DHCA receives federal grants (HOME and CDBG Program) as well as various state weatherization grants

► Programs

- Group Home Rehab
- Single Family Rehab and Weatherization
- Focused Neighborhood Assistance
- Multifamily Acquisition and Development
- Rental Assistance Programs

► Forms of Assistance

- Low- or no-interest loans
- Varying loan terms
- Mezzanine financing

Mezzanine Financing

- Mezzanine financing is a catalyst for encouraging other financing sources as well as economic growth. DHCA provides short-term loans at competitive interest rates. The chart below illustrates DHCA's success in providing mezzanine loans. With ~\$22M, DHCA leveraged over \$320M in financing, producing over 1,400 housing units with approximately 13 percent affordable, over 60,000 square feet of commercial space and approximately 120 permanent jobs. This activity occurred during the height of the economic downturn.

Project Name	Loan Amount	Rate/ Term	TDC	Total Units	Affordable Units
The Citron	2,702,700	1% / 10 Years 5% / 30 Years	57,000,000	222	31
Solaire at Wheaton	5,000,000	7.8% / 5 Years	56,971,021	232	32
Wheaton Safeway	5,000,000	7.5% / 10 Years 1% Commit Fee	124,490,454	486	61
Solaire at Silver Spring	5,000,000	7.5% / 5 Years	83,157,231	386	44
Fenwick	4,100,000	8% / 3 Years	22,000,000	102	18

Other Affordable Housing Tools

- ▶ Payment in Lieu of Taxes (PILOTs) – provides real property tax abatements for housing projects.
- ▶ Right of First Refusal – allows certain groups to match residential contracts to preserve affordable housing.
- ▶ Rental Agreements – no-cost agreements which preserve affordable housing for a specified period term.
- ▶ Moderately Priced Dwelling Units (MPDUs)- program that promotes affordable housing to low-income residents (generally at or below 65-70% AMI) by requiring developers to provide affordable housing in new developments that meet certain thresholds.
- ▶ Workforce Housing – similar to the MPDU program, this program promotes affordable housing, but to residents with higher incomes (at or below 120% AMI).

Payment in Lieu of Taxes (PILOTs)

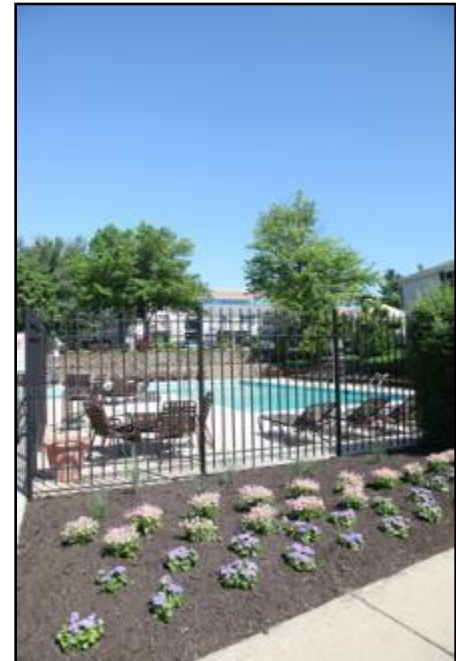
- ▶ Provides real property tax abatements for housing projects in one of three ways:
 - For most, abatement equals the number of affordable housing units multiplied by the average Montgomery County homeowner tax credit.
 - For certain Enterprise Zone housing projects, the abatement equals a declining percentage of the property tax.
 - For nonprofit community housing development organizations and senior developments, projects may receive up to a 100 percent reduction of the County property tax.
 - The impact on the County tax base is generally low as the initial tax abatement is often applied to unimproved land or to a building operating below its highest and best use.
- ▶ Countywide PILOT limits are established annually by the County Council for a 10-year period.
- ▶ FY14 Stats
 - Taxes abated – \$9.67M
 - Units supported – 7277 non-HOC units (14,214 total units)
- ▶ Recent Trends
 - Property assessments are increasing at a higher rate than previously anticipated. New analysis shows that abatement amounts will increase at a rate of three percent annually.
 - The average homeowner tax credit amount has increased. Previous projections assumed a value of \$1,000 per unit. New analysis (per SDAT) indicates the average tax credit is ~\$1,250 per unit.
- ▶ Trend is to add 300 new tax-abated units annually beginning in FY16.

Right of First Refusal Purchases

- ▶ Chapter 53A of the Montgomery County Code provides DHCA, HOC and Tenant groups, with a unique tool to preserve affordable housing, the Right of First Refusal, which allows these groups to match any signed contract for the sale of multifamily properties containing four or more units.
- ▶ Utilizing this tool, 8 properties containing 1,244 units have been purchased by DHCA and HOC to preserve and/or create affordable housing in the County. The 1,244 units have been purchased at an average cost to the County of \$27,588 per unit and have leveraged an additional \$73,899 per unit in financing from other resources.

The Hamptons

- ▶ Through a RoFR offer, DHCA, with AHC, preserved 768 units of naturally occurring affordable housing located near the town center in
- ▶ Germantown.



Avondale

- ▶ Avondale is a four-unit property within two blocks of the Bethesda Metro Station that will be utilized as permanent affordable housing by NCCF clients.



Rental Agreements

- ▶ Tool by which multifamily purchaser agrees to provide a percentage of affordable units for a specified term. DHCA accepts the agreement and agrees not to exercise right of first refusal. Also used to extend affordability of expiring subsidized units.
- ▶ Through FY14
 - 23 properties under agreement
 - Provides affordability in 2,039 units
 - 16 no cost agreements for 1,399 units
 - 7 agreements preserving 640 expiring subsidized units at an average annual per unit cost of \$1,356.
- ▶ Terms is generally 5 - 10 years

Falkland Chase

- ▶ Located in downtown Silver Spring
- ▶ Preserves 90 affordable units serving people between 50% and 80% AMI
- ▶ Tenants were at risk due to the expiration of tax-exempt bonds issued twenty years ago, which would have made all of the units market rate.
- ▶ DHCA brokered an agreement that maintains these units as affordable by making up the difference between market rates and affordable rents for the residents.



Moderately Priced Dwelling Units

▶ Market Trends

- After 6 years of decline, there has been a dramatic increase in MPDU's. This correlates with a general increase in new development.
- Long-term, however, as horizontal development slows (due to land scarcity), development will be vertical and MPDU's present financial challenges.

▶ Stats

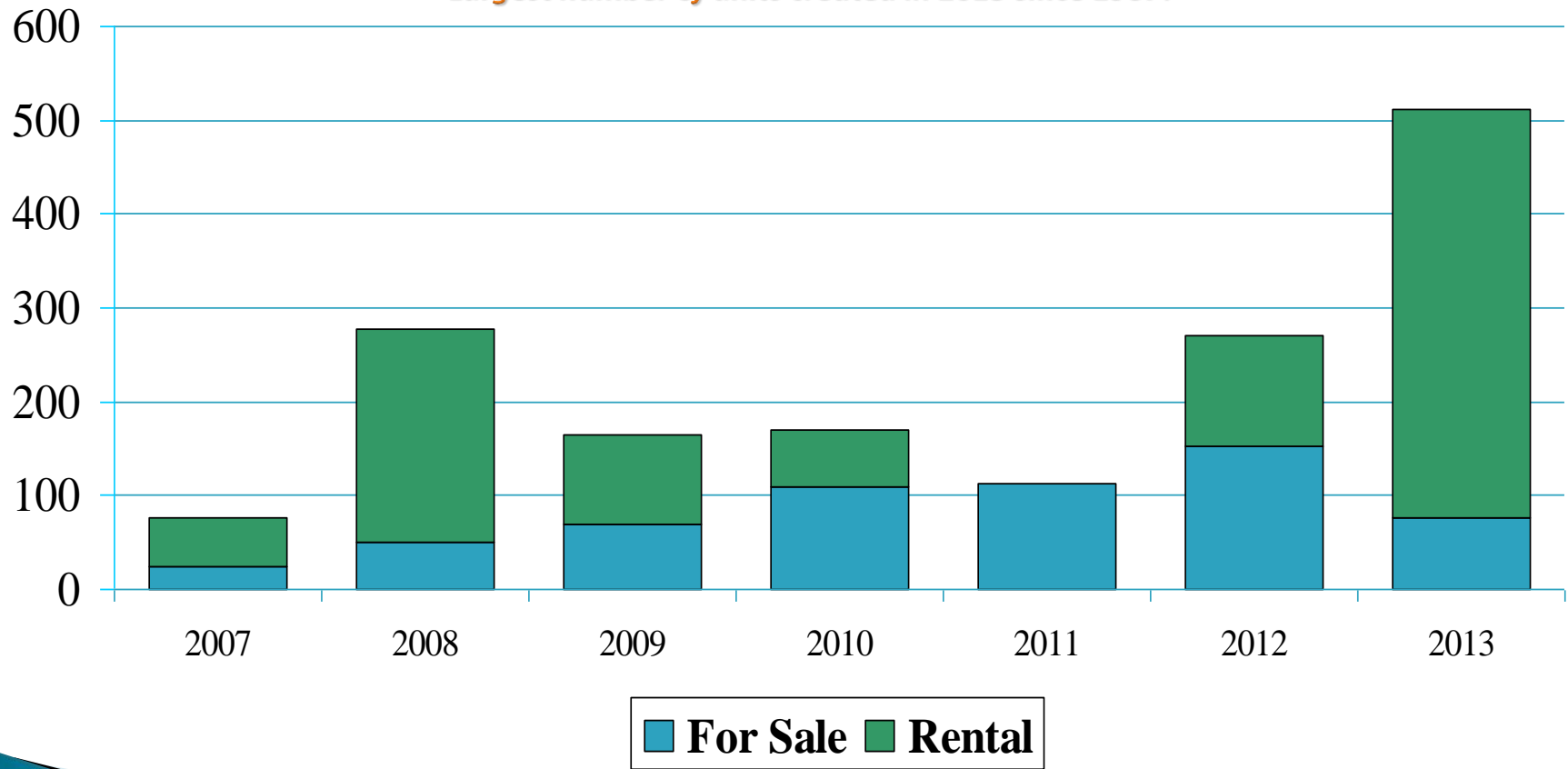
- 14,029 units produced since program inception (1974)
 - 9,561 For sale
 - 4,468 Rental
- 4,672 units remain under controls
 - 3,140 private sector
 - 1,310 HOC owned
 - 222 non-profit owned

▶ MPDU Alternate Agreements (since 2007)

- One (1) Alternative Location agreement. Nine (9) MPDUs would have been required on-site; 12 MPDUs are being provided at an alternative location in the same planning area.
- One (1) Alternative Payment agreement. Thirteen (13) MPDUs would have been required on-site in Silver Spring. The required alternative payment is 3 percent of the contract sales price of each unit in the building, due at the settlement of each unit (approximately \$800,000 total).

MPDUs

1,586 MPDUs Produced since 2007
Largest number of units created in 2013 since 1987!



Workforce Housing Program

- ▶ Promotes the construction of housing that will be affordable to households with incomes at or below 120% of the area-wide median
- ▶ Program approved in 2005 has been changed, by Council, from a requirement to a voluntary program.
- ▶ Increases the availability of housing in the County for public employees and other workers whose income cannot support the high cost of housing that is located close to their workplace and who, as a result, are increasingly priced out of housing opportunities
- ▶ Assists County employers in reducing critical labor shortages of skilled and semi- skilled workers by providing housing that will be accessible to the worker's workplaces
- ▶ Reduces traffic congestion by shortening commute distances for employees who work in the County but who otherwise would live elsewhere and encouraging more employees to live in Metro Station Policy Areas.



Workforce Housing

King Farm Condo in Rockville

- ▶ 32 Units total
- ▶ 32 WFH units



Workforce Housing

Olney Springs (previously county-owned land)

- ▶ 114 units total
- ▶ 34 MPDUs
- ▶ 34 WFHUs



County Initiatives

- ▶ Senior Housing
- ▶ Rental Assistance Programs
- ▶ Special Needs Housing



Senior Housing Projects

- ▶ County Executive Leggett established mixed-income affordable senior housing as a priority in the County. Under this Senior Initiative, DHCA has assisted in the financing of:
 - Eight (8) projects totaling 796 units, of which over 90 percent will be affordable to households earning between 30% and 60% of the AMI.
 - Total development costs of \$159.2M for all units.
 - County investment of \$35.6M.
 - Six (6) new construction projects including 530 affordable units.
 - Two (2) rehabilitation projects including 190 affordable units.

Rental Assistance Programs

- ▶ Through legislation, 50% of special recordation tax revenue for commercial or residential units sold at or above \$500,000 is used to provide rental assistance programs for income-eligible residents
- ▶ Funding increased from \$2M in FY12 to \$8.9M projected in FY15
- ▶ DHCA partners with HHS and HOC to provide a variety of rental assistance programs including those aimed at very-low income residents (below 30% AMI), rapid rehousing programs and programs aimed at medically vulnerable populations.
- ▶ Assistance was provided to over 1800 residents in FY14

Special Needs Housing

- ▶ The Housing First program is a County model and a joint effort of DHCA and the Department of Health and Human Services that takes homeless families from frequent moves among transitional housing to permanent housing. The program also provides support to help the placed families maintain their permanent residences.
- ▶ Since 2007 DHCA has utilized a variety of methods to support special needs housing throughout Montgomery County. This funding has provided construction, development and/or support for over 237 units of housing representing an investment of \$28.6M. This funding helped secure a minimum of an additional \$11.8M in resources for special needs housing throughout the County.

Income-Restricted Housing by Council District

Income-Restricted Housing Units

(Owned or controlled by Housing Opportunities Commission, Rockville Housing Enterprises, Non-profit and Private Sector Entities)

December 1, 2014

Map produced by DHCA

District	Income-Restricted Units (IR)	All Units	All Units Percent of County	IR Percent of All
unknown	840			
1	3,226	80,564	22.6%	4.0%
2	4,243	62,851	17.6%	6.8%
3	5,172	75,812	21.2%	6.8%
4	5,436	64,550	18.1%	8.4%
5	7,510	72,986	20.5%	10.3%
Total	26,427	356,763		7.4%

Council District 2	
Vouchers	1,285
Non-vouchers	2,958
Total	4,243


Council District 4	
Vouchers	1,335
Non-vouchers	4,101
Total	5,436

Council District 1	
Vouchers	310
Non-vouchers	2,916
Total	3,226

Council District 3	
Vouchers	1,235
Non-vouchers	3,937
Total	5,172

Council District 5	
Vouchers	2,041
Non-vouchers	5,469
Total	7,510

Legend

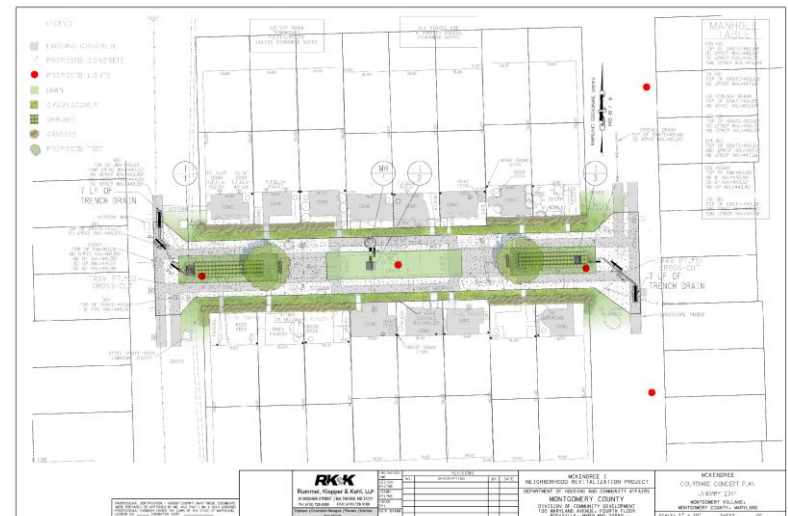
 County Council Districts

 Miles



Maintaining Healthy Neighborhoods and Community Relationships

- ▶ Focused Neighborhood Assistance
- ▶ Code Enforcement
- ▶ Landlord Tenant Affairs
- ▶ Licensing and Registration
- ▶ Public Service Contracts
- ▶ Commercial Façade Easements



Focused Neighborhood Assistance

- ▶ Nationally recognized program
 - Recipient of NAHRO National Award of Excellence in Community Revitalization
 - Recipient of NACo Award of Outstanding Achievement in a Program
- ▶ Began in 2009 to comprehensively address community needs as identified by residents and other stakeholders in geographically-defined areas
- ▶ A data-driven analysis focused on single-family homes in residential neighborhoods. Some of the data collected and analyzed:
 - crime
 - income (FARMS data)
 - single-family rentals
 - foreclosure and home sale activity
- ▶ Assistance may be provided by DHCA directly to address housing needs, through providing services such as concentrated housing code enforcement or below-market interest rate loans/grants for housing rehabilitation or it may be geared to enhancing other community services through collaboration with public and private partners.

Focused Neighborhood Assistance

- ▶ The first two Focus Areas – the Mid-County Focus Area (in the Glenmont area of Wheaton) and the Up-County Focus Area (in the Gunners Lake/Waring Station area of Germantown) were the first to receive assistance.
- ▶ Our two most recent neighborhoods:
 - Germantown Park (fka Cinnamon Woods)
 - McKendree community in Montgomery Village

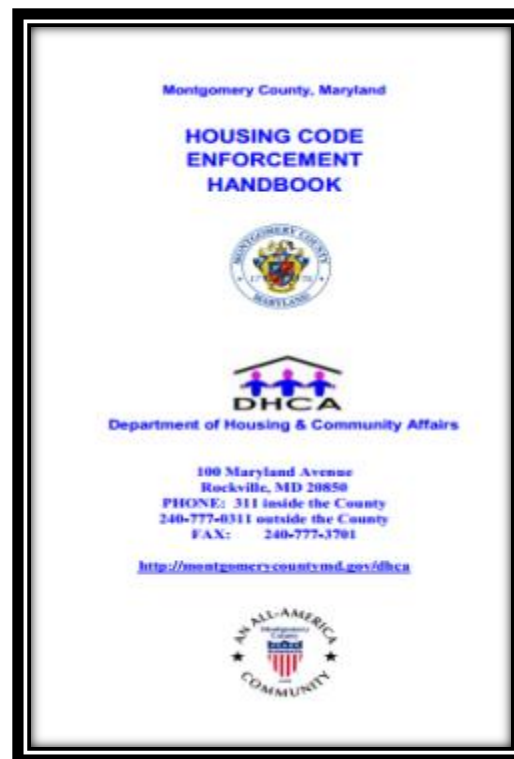


Germantown Park



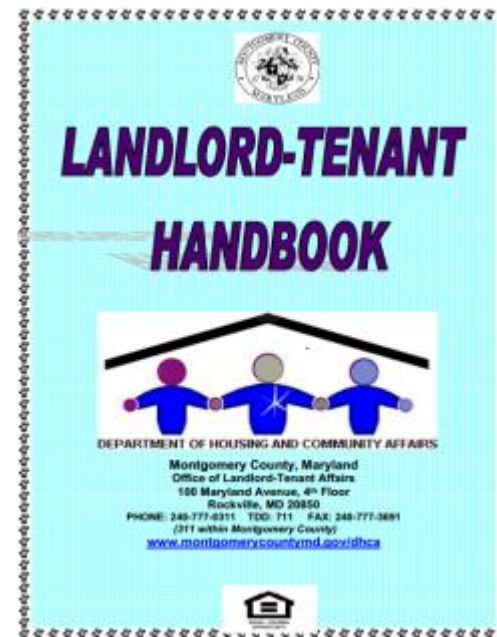
Code Enforcement

- ▶ Enforces Chapter 26 of the County Code, Housing Maintenance, by inspecting rental condominiums, multi-family apartments, and single-family housing to ensure safe and sanitary conditions; and Chapter 48, Solid Waste; and Chapter 58, Weeds, the County's residential weeds and rubbish codes.
- ▶ Recent Initiatives:
 - Completed a concentrated code effort with DPS, DEP and Police in northern Wheaton that resulted in 341 notices of violations.
 - In July, participated in a "Sign Sweep" with DPS and other departments to clean up signs from the County rights-of-way. 2500 signs were delivered to the transfer station where they were separated for recycling.
- ▶ FY14 Stats
 - 6998 cases closed
 - 10,258 MC311 Service Requests
 - 25,575 total inspections performed



Landlord Tenant Affairs

- ▶ Ensures fair and equitable relations between landlords and tenants and encourages the maintenance and improvement of housing
- ▶ FY14 Outreach
 - In conjunction with Cable TV Montgomery, published a service announcement that still runs
 - Sponsored and hosted two highly successful seminars, one for tenants and one for landlords centering around common issues and recent trends.
- ▶ FY14 Stats
 - 645 mediation cases opened
 - 9,181 MC311 SR's, including 1,292 walk-ins
 - 97% of cases mediated successfully (not referred to the commission)



Licensing and Registration

- ▶ Issues licenses to all rental housing (apartment, condominiums, single family) and registers all housing units within common ownership communities.
- ▶ DHCA accepts checks and ACH as well as credit card payments through our new Licensing and Registration Dashboard
- ▶ In FY14, DHCA received 59 Class 3 – Accessory Apartment applications, of which 52 were approved, four were denied and three withdrew.
- ▶ FY14 Stats
 - 95,100 licenses issued
 - 66,000 multifamily
 - 10,000 condo
 - 19,100 single family (including accessory apartments)
 - 1,045 MC311 SR's

Public Service Contracts

- ▶ DHCA may use up to 15% of its CDBG funds for non-profits for public service activities benefiting low-income residents.
 - ▶ May include programs aimed at eviction prevention, or providing housing-related supportive services, employment services, crime prevention, positive youth development, health care, education, mental health, welfare, or recreation.
 - ▶ Funds are awarded through a competitive annual application process.
- ▶ FY14 Stats
 - 14 public service contracts awarded
 - \$516,000 in funding awarded
 - Assisted over 6500 families and individuals



Commercial Façade Easements

- ▶ DHCA works with private property owners, primarily in older strip commercial centers, to upgrade their dated and deteriorated building facades
- ▶ DHCA purchases a façade easement, thereby reimbursing the owner for a portion of the expense of upgrading the property
- ▶ Also used to upgrade commercial signage and property lighting
- ▶ The easement, generally between 5 and 15 years, is recorded, and forgiven over time so long as the owner maintains the improvements
- ▶ Our two current areas are Burtonsville and Colesville in eastern Montgomery County

Commercial Façade Easements

Burtonsville

- ▶ Four building facades completed, with one more under construction
- ▶ 3 signs completed, with one more underway
- ▶ Approximately \$1,067,500 committed or spent to date



Assessing Our Progress and Success

- ▶ At the end of the day, the numbers only tell part of the story.
- ▶ To assess our progress and success, we need to ask ourselves – and continue to ask – some basic questions.

Assessing Our Progress and Success

- ▶ Rather than concentrating on how many units DHCA has preserved and produced, the question is, has DHCA impacted the lives of families and individuals who, but for our programs would not have safe and secure shelter to call home?
- ▶ Rather than counting how many landlord – tenant complaints are addressed, the question is, has DHCA been able to amicably reconcile differences without involving the adversarial and expensive judicial system?
- ▶ It isn't the number of housing units inspected, but rather, have our efforts been successful to ensure renters are living in good, safe housing and landlords are working to keep it that way?
- ▶ Has DHCA positively worked with partners to help those who are homeless become formerly homeless?
- ▶ Did DHCA help alleviate the scourge of foreclosures in neighborhoods and successfully counsel families to keep them out of foreclosure?
- ▶ Has DHCA addressed the deterioration of some neighborhoods and improved the living environment for the residents?
- ▶ Has DHCA helped keep people warm and save energy through the weatherization program?

HAS DHCA BEEN A GOOD STEWARD OF THE RESOURCES FROM COUNTY CITIZENS WHICH WAS PROVIDED TO ACCOMPLISH ALL OF THE ABOVE.

THE ANSWER IS YES!

Moving Forward

- ▶ The major challenge to the County Council and the County Executive is to insure the continued growth of the Housing Initiative Fund and to provide local resources to address the neighborhoods around our county that need some assistance to ensure they are sound and viable.
- ▶ This support is necessary to build upon this solid foundation and to continue to move DHCA and the County forward.